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DEPARTMENT PLEASE PASS TO NSC - ADAM STERLING

E.O. 12958: DECL: 10/29/2016
TAGS: [PGOV](#) [KDEM](#) [HU](#)
SUBJECT: SURVIVOR HUNGARY: THE GYURCSANY GOVERNMENT'S
NARROWING FOCUS

REF: BUDAPEST 2045 AND PREVIOUS

Classified By: POL/C ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

11. (S) Beset by continuing political attacks and public protests, the Gyurcsany government is circling its wagons as winter approaches. Although even the opposition concedes that crowds will fall as the temperature does, few doubt that they will return in force in the spring, when the full economic impact of the austerity measures begins to take effect.

12. (S) The government is already in triage mode, focusing almost exclusively on day-to-day crisis management. Although the government has tried to focus on governance and to project confidence, it has often been fully occupied reacting to the opposition's latest attacks. Although the PM rallied the coalition for the October confidence vote (reftel), he is paying a heavy price and has appeared tired and downbeat in recent contacts. (As one observer commented, Gyurcsany is "a middle-distance runner trying a marathon with no training.") Even supporters concede that he has failed to make an affirmative case for reform, leaving the opposition to portray his austerity measures as both unfair and unnecessary. The referendum proposed by FIDESZ to challenge the fundamental tenets of the "Gyurcsany package" represents the latest front in this war (septel).

13. (S) With the Prime Minister's Office seemingly fully focused on its political survival and badly burned by what Gyurcsany himself characterized as his efforts to do "too much too soon" on reform, other issues are receiving little high-level attention. Even before the protests, Gyurcsany's centralized management style had concentrated authority in the PM's office and left the Ministries with little policy-making authority. In the present atmosphere, the Ministries' natural instinct is often to await instructions and thus often avoid decisions entirely. As we have seen with the recent visit of the Holocaust Museum, extraordinary engagement has been required to get the government's attention, much less its action.

14. (S) Disquietingly, the government may be reducing the scope of its agenda as well as the intensity of its efforts. Economic and Transport Minister Koka, usually a close ally of the PM, confided to the Ambassador on October 27 that Gyurcsany had directed him to "cease fire" on his efforts to illuminate the road construction bidding process (in which he claimed to have already cut the cost by 40%), due to intense pressure from members of his party. Gyurcsany's need to maintain the party's support will give the MSZP's old guard greater leverage to slow-roll elements of the reform package they have long resisted.

15. (S) Our expectations regarding the GoH's willingness - and fundamental ability - to engage in the near-term are

modest and declining. Often inclined to "overpromise and underdeliver" in the best of times, the GoH now finds itself consumed with domestic politics and accordingly less able to undertake initiatives further afield. It will not court further controversy at home and will take a de minimus definition of "business as usual" in these unusual times. We believe that progress on reform is the single most important issue, and that its resolution is a necessary condition to ensure Hungary's continued development from a consumer to a provider of security in the international community. We will remain actively engaged in pressing the government to act in keeping with its commitments. We should be prepared, however for their appeal to keep their ability to respond in the context of their present political constraints.

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